

MNQUMA LOCAL MUNICIPALITY

BUDGET AND TREASURY DIRECTORATE



FINAL MTREF BUDGET 2012-2015 TO THE COUNCIL 29 MAY 2012

Compiled By:


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Signed By:


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Endorsed By:


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Recommended By:


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1. MTREF BUDGET 2012-2015

(i) Purpose

Purpose of the report is to table in the Final MTREF budget for 2012-2015 for both operating and Capital; proposed Tariff Structure and policies for approval.

(ii) Legal or statutory requirement

- (1) Section 215 of the constitution of the South Africa that defines the underpinning principles for National, Provincial and Municipal Budgets.
- (2) It is a statutory obligation, which finds its expression in Chapter 4 of the MFMA No. 56 of 2003 Section 24(1) the municipal council must at least 30 days before the start of the budget year consider approval of annual budget.
- (3) Section 16(1) the Council of a Municipality must for each of the financial year approve an annual budget for the Municipality before start of that financial year
- (4) In order for a municipality to comply with subsection (1), the Mayor of a Municipality must table the annual budget at a council meeting at least 90 days before the start of the budget year.
- (5) In the previous year, National Treasury issued out circular 54 which gave Municipalities and now circular 58 as a base for preparation of this MTREF 2012/2015.

iii) Background exposition, facts and proposals

In line with a budget process plan adopted on the 29 August 2011, this is to present the Final MTREF budget for 2012-2015 of R 265 million for both capital and operating budget; proposed Tariff Structure for 2012-2013 and proposed policies. On the 30 March 2012 council approved a draft MTREF Budget which was submitted to relevant Government offices and to the public for comments and consultation.

MTREF 2012-2015 Budget has been developed taking into account all the priorities of the institution as contained in the Five year strategic plan (IDP). Furthermore it has taken into account the priorities as set by the President of the country in the state of the nation address. The personnel budget, projects from the Capital Budget and Operating Projects are flowing from the proposed Objectives and Strategies and funds have been allocated to ensure that there is an alignment with the IDP.

The following table below shows changes or movements that have been made to the original draft that was submitted to council on 30 March 2012, it should be noted that there was no additional income received, movement was done by shifting projects from either capital or operating project or from project to another project according to their priorities and as well as inclusion of Ward Committee Stipend:-

1. MOVEMENT ON OPERATION PROJECTS

PROJECT	FUNING SOURCE	BUDGET AS PER DRAFT	BUDGET AS PER FINAL	COMMENTS
Implementation of research projects.	Equitable Share	R30 000	R 180 000	Increased budget using General Valuation budget
INFRASTRUCTURAL DEVELOPMENT AND PLANNING DIRECTORATE				
Road Maintenance	EPWP Grant	0	R 1 172 000	Budget increased, the project was allocated under Capital Budget yet it is an Operational Budget
COMMUNITY SERVICES DIRECTORATE				
Maintenance of Sport fields	Equitable Share	R 2000 000	200 000	Taken R500 000 from the closure and rehabilitation of Magqudwana landfill site to fund the three projects
Maintenance of parks and gardens			200 000	
Community awareness			100 000	
Closure and rehabilitation of Magqudwana		R 2000 000	R 1500 000	Decreased Budget by R500 000 to fund the project of Sportfields,Parks and Gardens and Community Awareness
BUDGET AND TREASURY DIRECTORATE				
General Valuation	Equitable Share	R1000 000	0	Budget moved to other programs as the project will not be implemented in the new financial year due to the extension approved by the MEC for Local Government
CORPORATE SERVICES DIRECTORATE				
Arrear debt	Equitable Share	-	300 000	Budget from General Valuation Roll project, this was omitted during the draft stage and it is necessary for it to be budgeted
Performance management system implementation	Equitable Share (R380,000.00) Municipal Systems Improvement Grant (MSIG) (R420,000.00)	750 000.00	330 000	Split according to Funding R 330 000 be budget using Equitable Share and R 420 000 be MSIG
Municipal sport	Equitable Share	200 000.00	300 000	From office Furniture. MMs office

Additional Information

R 3 720 000 has been set aside for the payment of Monthly Ward Committee Stipend.

2. MOVEMENTS ON CAPITAL BUDGET

PROJECT	FUNING SOURCE	BUDGET AS PER DRAFT	BUDGET AS PER FINAL	COMMENTS
STRATEGIC MANAGEMENT DIRECTORATE				
Gcuwa Dam Development	EQUI SHARE	700 000	0	Budget Moved to Repairs and Maintenance ,Plant Hire Equipment
BUDGET AND TREASURY DIRECTORATE				
Rehabilitation of landing strips in Mnguma	Equitable Share.	200 000.00	0	Budget Moved to Operating Budget under Repairs and Maintenance
Levelling of top surfacing of top stores.	Equitable Share.	280 000.00	0	
Road Maintenance – Repairs & Maintenance	EPWPG	1 172 000	0	Moved to Operating projects
CORPORATE SERVICES DIRECTORATE				
Hall Furniture, Fittings & Implements	Equitable Share	50 000.00	350 000.00	Budget increased to cover other halls

Below are budget assumptions used when developing this budget:-

(a) Government grants as per Division of Revenue Act are as follows:

GRANT	ALLOCATIONS 2012-2015		
	2012-2013 R'000	2013-2014 R'000	2014-2015 R'000
Equitable Share	R154 089	R165 479	R179 494
Finance Management Grant	R 1.5m	R1.5m	R1.5m
Municipal System's Improvement Grant	R840 000	R 870 000	R 950 000
Expanded Public Works Programme Grant	R 1 172 000	0	0
Electricity Demand Side Management Grant	R 7m	0	0
Municipal Infrastructure Grant	R 53 815	R 56 768	R 60 050
Integrated National Electrification Programme	R 14m	R 15m	R 15m
Own Income	R 33m	R 36m	R 37m

- (b) Growth on salaries and Wages bill has been provided for in the budget at 5 % and general expenses from 0% to 5.6% and 2014-2017 5.4%
- (c) Personnel Increase for Section 57 Manager's is 5.4% based on the CPI extracted in Circular 58
- (d) Personnel increase for Councilors is based on 5% increases for 2011/2012 as per gazette no 33867
- (e) An amount of R3m for ward committees for the year 2012-2013 financial year as gazetted
- (f) No increase on tariffs due to low collection rate of services
- (g) Included in the budget are depreciation expenses, provisions for leave and provisions for write off of bad debts

1. BELOW IS THE MTREF 2012-2015 OPERATING BUDGET AS PER SECTION 17(3) a (i)

MNOUMA LOCAL MUNICIPALITY DRAFT OPERATIONAL BUDGET FOR 2012/2013 FINANCIAL YEAR						
EXECUTIVE ICE SUMMARY	2010/2011 AUDITED OUTCOMES	2011/2012 APPROVED BUDGET	2011/2012 FORECAST	2012/2013 PROPOSED BUDGET	2013/2014 Indicative Budget	2014/2015 Indicative Budget
OPERATING REVENUE						
PROPERTY RATES	(10 419 471)	(13 566 246)	(7 572 328)	(13 566 246)	(14 366 655)	(15 214 287)
PROPERTY RATES	(11 805 911)	(15 773 468)	(9 779 550)	(15 773 468)	(16 656 782)	(17 556 248)
REVENUE FOREGONE	1 386 441	2 207 222	2 207 222	2 207 222	2 207 222	2 207 222
SERVICE CHARGES	(3 286 502)	(3 893 510)	(323 682)	(3 893 510)	(4 111 547)	(4 333 570)
SERVICE CHARGES-REFUSE	(3 286 502)	(3 893 510)	(323 682)	(3 893 510)	(4 111 547)	(4 333 570)
RENTAL OF FACILITIES AND EQUIP	(2 209 524)	(1 887 901)	(389 444)	(2 205 117)	(2 328 604)	(2 454 348)
INTEREST EARNED-EXT INVESTMENTS	(2 061 428)	(2 491 768)	(2 158 546)	(2 258 000)	(2 384 448)	(2 513 208)
INTEREST EARNED-OUTSTANDING DEB	(945 933)	(2 300 308)	(1 049 353)	(945 933)	(998 906)	(1 052 846)
FINES	(891 258)	(1 707 024)	(1 343 958)	(1 563 096)	(1 650 629)	(1 739 763)
AGENCY SERVICES	(3 207 331)	(2 754 602)	(3 259 055)	(2 789 176)	(2 945 370)	(3 104 420)
TRAFFIC SERVICES	(1 239 516)	(992 622)	(1 239 516)	(1 326 980)	(1 401 291)	(1 476 961)
TRANSFERS RECOGNISED-OPERATIONAL	(117 253 133)	(131 343 786)	(117 253 133)	(153 903 071)	(163 943 987)	(177 828 116)
OTHER REVENUE	(310 740)	(3 488 154)	(407 792)	(4 146 965)	(4 379 195)	(4 615 672)
GAINS ON DISPOSAL OF PPE	(460 414)	(688 181)	(666 292)	(666 292)	(703 604)	(741 599)
TOTAL DIRECT REVENUE	(142 285 251)	(165 114 102)	(135 663 100)	(187 264 387)	(199 214 235)	(215 074 791)
OPERATING EXPENDITURE						
EMPLOYEE RELATED COSTS	78 915 298	83 201 499	76 075 196	94 940 754	100 257 436	105 671 338
EMPLOYEE RELATED COST-REMUNERAT	66 466 951	69 713 198	63 630 473	78 409 728	82 800 673	87 271 909
EMPLOYEE RELATED COST-SOCIAL CO	12 448 347	13 488 301	12 444 724	16 531 026	17 456 764	18 399 429
REMUNERATION OF COUNCILLORS	13 651 068	16 447 126	14 355 352	20 088 686	21 213 652	22 359 190
DEBT IMPAIRMENT	9 780 251	4 381 699	-	3 500 000	3 696 000	3 895 584
DEPRECIATION & ASSET IMPAIRMENT	20 646 217	192 448	-	3 536 649	3 734 701	3 936 375
FINANCE CHARGES	2 276 907	2 556 610	2 467 159	4 371 705	4 616 520	4 865 813
BULK PURCHASES	3 372 475	4 000 000	2 029 300	4 000 000	4 224 000	4 452 096
OTHER MATERIALS	20 374 351	7 159 836	2 784 836	6 677 292	7 051 220	7 431 986
CONTRACTED SERVICES	5 853 768	9 527 519	7 535 631	10 386 073	10 967 693	11 559 948
TRANSFERS AND GRANTS	-	18 642 482	-	15 905 000	14 929 008	15 687 194
OTHER EXPENDITURE	12 164 576	18 996 700	15 597 672	23 858 228	25 194 289	26 554 781
LOSS ON DISPOSAL OF PPE	-	-	-	-	-	-
CONTRIBUTION TO CAPEX	-	-	-	-	-	-
TOTAL: DIRECT EXPENDITURE	167 034 910	165 105 919	120 845 146	187 264 387	195 884 521	206 414 305
(SURPLUS)/DEFICIT	24 749 659	(8 182)	(14 817 954)	0	(3 329 714)	(8 660 486)
OTHER TRANSFERS AFTER SURPLUS/DEFICIT						
TRANSFERS RECOGNISED-CAPITAL (R	(36 264 028)	(43 650 215)	(28 388 162)	(71 757 929)	(68 539 733)	(71 647 407)
CONTRIBUTIONS RECOGNISED-CAPITA	(12 883 197)	(40 575 739)	(11 467 453)	(6 655 000)	(7 027 680)	(7 407 175)
CONTRIBUTED ASSETS	-	-	-	-	-	-
TRANSFER TO RESERVES	-	-	-	-	-	-
SURPLUS/(DEFICIT) AFTER CAPITAL	(24 397 566)	(84 234 137)	(54 673 569)	(78 412 929)	(78 897 127)	(87 715 068)

Income budget has increased from **R 165 114 102** to **R187 264 387** with an increase of the equitable share.

Below are the explanatory notes of the Expenditure budget:

1. Personnel Budget

- a) Expenditure on Personnel has been aligned with municipal staff keys book to avoid virements and adjustment that occurs during the year. Budget for personnel has been increased from R 83m to R 94m. The increase is as a result of proposed salary increase of 5% for employees below section 56 and 57 Managers and 5.4% for section 57 managers.
- b) *Allowances for councilors increased from R16m to R20m.*
- c) R3m has been set aside for the creation of decent jobs.
- d) Sixty two councilors have been budgeted for all its allowances, of that, the Speaker and 49 Councilors are budgeted under Speakers vote, Executive Mayor and Mayoral Committee under the office of the Executive Mayor's vote and the budget for the full time Chief Whip has also be set aside.
- e) R3 720 000 forward committee stipend
- f) Councilors' Allowances increase is as a result of proposed increment of 5%, details of allowances per individual councilor is provided in S17 (3)k as per **annexure G**

2. Debt Impairment and Depreciation

These are non-cash items that are regulated by **GRAP** standards are also budgeted for.

a) Finance Charges

Interest on overdue account and repayment of loan (vehicle finance lease) are budgeted under finance lease.

b) Bulk Purchases

Indigent subsidies are budgeted under this vote

c) Other Materials and Maintenance

R6.6m has been budgeted for computers, road maintenance, street lights etc.

d) Contracted Services

Audit Committees' remunerations, Audit Fees, insurance premiums, legal fees, registration and licensing are budgeted under this vote.

Operating projects are funded by Equitable Share, FMG, MSIG and MIG.

Attachment in **Annexure C**.

Table below summarizes the operating projects for the next three years

MTREF OPERATING PROJECTS PER DIRECTORATE 01 JULY 2012-2015

DESCRIPTION	2012/2013 R	2013/2014 R	2014/2015 R
Office Of The Municipal Manager	4 257 071	4 495 467	4 738 222
Strategic Management	3 100 000	3 273 600	3 450 374
Infrastructural Dev. & Planning	1 672 000	-	-
Community Services	2 850 000	3 009 600	3 172 118
Budget And Treasury	2 040 000	2 070 240	2 101 033
Corporate Services	5 043 000	4 959 888	5 260 742
Total Operating Projects	18 962 071	17 808 795	18 722 490

SUMMARY OF MTREF OPERATING PROJECTS PER FUNDING SOURCE 01 JULY 2012-2015

Operating Projects Per Funding Sources	2012/2013 R	2013/2014 R	2014/2015 R
Equitable Share	12 393 000	12 210 528	12 869 897
FMG	1 500 000	1 500 000	1 500 000
MSIG	840 000	870 000	950 000
MIG	3 057 071	3 228 267	3 402 593
EPWP	1 172 000	-	-
TOTAL OPERATING PROJECTS	18 962 071	17 808 795	18 722 490

SUMMARY OF MTREF OPERATING PROJECTS PER CLUSTER

<u>CLUSTER</u>	<u>2012/2013</u> <u>R</u>	<u>2013/2014</u> <u>R</u>	<u>2014/2015</u> <u>R</u>
Basic Service Delivery and Infrastructure Development	5 179 071	3 703 467	3 903 454
Good Governance and Public Participation	3 950 000	3 805 680	4 044 207
Local Economic Development (Socio-economic Development)	4 500 000	4 752 000	5 008 608
Municipal Transformation & Institutional Development	5 333 000	5 547 648	5 766 221
TOTAL	18 962 071	17 808 795	18 722 490

SUMMARY OF MTREF OPERATING PROJECTS PER IDP OBJECTIVE

<u>IDP OBJECTIVE</u>	<u>2012/2013</u> <u>R</u>	<u>2013/2014</u> <u>R</u>	<u>2014/2015</u> <u>R</u>
Improve internal controls for clean administration purposes by continuous implementation of policies and legislation	1 200 000	1 267 200	1 335 629
To create a learning organisation through building capacity of human capital internally and external thereby improving the skills base of the municipality by 2017	3 718 000	3 870 208	4 025 199
To ensure a performance driven institution by fully implementing PMS Framework and Policy by June 2017	950 000	637 680	705 135
To establish and maintain a fully functional, responsive and accountable administration by adhering to the prescripts of Municipal legislation by 2017	1 615 000	1 677 440	1 741 022
To facilitate the Development of Land in a sustainable manner by 2017	500 000	-	-
To improve law enforcement mechanism through the implementation of municipal bylaws, regulations and legislations by 2017	50 000	52 800	55 651
To improve municipal planning processes with the aim of sustaining credibility of the IDP by adhering to legislative prescripts for the duration of the IDP. (30 June 2017)	2 250 000	2 376 000	2 504 304
Local Economic Development (Socio-economic Development)	2 800 000	2 956 800	3 116 467
To improve the condition of the roads and storm water through maintenance by 2017	4 229 071	3 228 267	3 402 593
To improve the economic development within Mquma Municipality by 2017	1 650 000	1 742 400	1 836 490
TOTAL OPERATING PROJECTS PER IDP OBJECTIVE	18 962 071	17 808 795	18 722 490

OTHER EXPENDITURE

Administration Cost has increased from R 13 408 265 to R 23 858 228

General items such as advertising, telephone, fuel, sundries etc. are budgeted under this vote.

A projected cash flow for the budget year has been developed and attached under circular 48 as per S17 (3) c of MFMA 56 of 2003.

BELOW IS THE MTREF 2012-2015 CAPITAL BUDGET AS PER SECTION 17(3) a (i)

Capital budget has been allocated such that service delivery directorates receive higher allocation than support Directorates. Capital budget has decreased from **R84 225 955** to **R78 412 929** due to the fact that some projects have been re-categorized out of the capital budget into repairs and Maintenance. More detail is **Annexure B**

BELOW IS THE SUMMARY OF MTREF CAPITAL BUDGET 2012-2015 AS PER SECTION 17(2)

DESCRIPTION	2012/2013 R	2013/2014 R	2014/2015 R
Office Of The Municipal Manager	51 157 929	53 962 133	57 092 617
Strategic Management Directorate	30 000	31 680	33 390
Budget And Treasury Directorate	30 000	31 680	33 391
Infrastructural Development and Planning Directorate	23 950 000	18 115 200	18 283 420
Community Services Directorate	1 150 000	1 214 400	1 279 978
Corporate Services Directorate	2 195 000.00	2 317 920.00	2 443 087.68
TOTAL CAPITAL EXPENDITURE	78 412 929	75 567 413	79 054 582

CAPITAL BUDGET BY FUNDING SOURCES

	2012/2013 R	2013/2014 R	2014/2015 R
MIG	50 857 929	53 645 333	56 758 709
Equitable Share	6 555 000	6 922 080	7 295 872
DME	14 000 000	15 000 000	15 000 000
EDSMG	7 000 000	-	-
TOTAL	78 412 929	75 567 413	79 054 581

CAPITAL BUDGET PER CLUSTER

CLUSTER	<u>2012/2013</u> R	<u>2013/2014</u> R	<u>2014/2015</u> R
Basic Service Delivery and Infrastructure Development	74 357 929	71 285 333	74 541 269
Local Economic Development (Socio-economic Development)	1 550 000	1 636 800	1 725 187
Municipal Transformation & Institutional Development	2 505 000	2 645 280	2 788 125
TOTAL CAPEX PER CLUSTER	78 412 929	75 567 413	79 054 582

TARIFF STRUCTURE as per Section 17(3) a (ii)

Tariffs for rates and services have not been increased or decreased due to low collection.

Tender fees were reviewed during the adjustment of budget and they will remain the same in this coming financial year.

A new tariff for car wash has been included in the 2012-13 financial year.

REVIEWED POLICIES

There are no changes in the budget related policies in the year under review

(iv) Staff implications

None

(v) Financial implications

1. Operating income budget has been increased from **R 165 114 102** to **R 187 264 387**
2. Operating Expenditure budget has been increased from **R 165 105 919** to **R 187 264 387**
3. Capital Budget has decreased from **R 84 234 137** to **R 78 412 929**

(vi) Annexures

- A Draft Operating MTREF Budget 2012-2015 as per S17 (3) a (i) of the MFMA 56 of 2003 and as per circular 48 format
- B Draft Capital MTREF Budget 2012-2015 as per S17 (3) a (i) of the MFMA 56 of 2003 as per circular 48 format
- C Draft Capital MTREF budget 2012-2015
- D Draft Tariff Structure 2012-2013 as per S17 (3) a (ii) of the MFMA 56 of 2003
- E Operating MTREF Projects 2012-2015 as per S17 (3) a (i) of the MFMA 56 of 2003
- F Projected Cash Flow for 2012-2015 as per S17 (3) c of the MFMA 56 of 2003
- G Proposed Salary Increase for Councilors, Municipal Manager, CFO and Senior Managers as per S17 (3) k of the MFMA 56 of 2003 (SA22) in the circular 48 format
- H Policies as per S17 (3) d of the MFMA 56 of 2003 and budget guidelines

(vii) Recommendations

It is hereby recommended that Council approve the Final MTREF 2012-2015 Budget.

It is further recommended that the following resolutions be taken by the full council:

1. That in terms of section 24 of the MFMA Act 56 of 2003, the annual budget of the municipality for 2012-2015 and Capital appropriations are approved as set out in the following tables:
 - 1.1 Budgeted Financial Performance by standard classification of revenue of R187 264 387 and Expenditure of R187 264 387 (A2 circular 48) be approved.
 - 1.2 Budgeted Financial Performance by vote of revenue of R187 264 387 and Expenditure of R187 264 387 (A3 circular 48) be approved.
 - 1.3 Budgeted Financial Performance of revenue by source of R187 264 387 and Expenditure of R187 264 387 (A4 circular 48) be approved.
2. That the Financial Position, Cash flow and Service delivery targets are approved in the following tables:
 - 2.1 Capital Expenditure of R78 412 929 (A5 Circular 48)
 - 2.2 Budgeted Financial Position of R128 824 672 (A6 circular 48)
 - 2.3 Budgeted Cash flows (A7 circular 48)
 - 2.4 Cash backed and accumulated surplus reconciliation (A8 circular 48)
 - 2.5 Asset management (A9 circular 48)
 - 2.6 Basic service delivery measures (A10 circular 48)
3. That in terms of S24(2)(c)(i) of the MFMA Act 56 of 2003 and Section 74 and 75 of the systems act of 2000 as amended; the tariffs of rates and services were used to prepare the estimates of revenue by source are approved with effect from 1 July 2012.
4. That in terms of section 5 of Property Rates Act 6 of 2004, no amendments in the property rates policy.
5. That in terms of section 24(2)(c)(iii) of the MFMA Act 56 of 2003, the measurable performance objectives for operating and capital budget by vote for each year of the MTREF as set out in supporting table are approved.
6. That free basic package as set out in the budget is approved.
7. That in terms of 24(2)(c) (v) of the MFMA 56 of 2003 the following policies are part of budget process and were used in the preparation of the budget and were approved and noted on the 30 March 2012 :
 - Budget Policy
 - Indigent policy and By- law
 - Property rates policy and By-law
 - Tariff policy and By -law
 - Bad debts policy
 - Provision for Bad Debt policy
 - Asset management Policy
 - Credit Control and Debt Management Policy and By Law